Chapter 5

Financial resources

5

5.7 Qualifying property and qualifying undertakings

Qualifying property and qualifying amount defined

5.7.1 R **Qualifying property** is any freehold or leasehold (or the equivalent tenure in Scotland or other territories) land and buildings purchased or secured by way of a mortgage (or other form of secured long-term arrangement) where the security for the liability is the property (and does not include any other allowable assets). The qualifying amount is the lowest of:

(a) 85 per cent of the current market value of the property (if known);

(b) 85 per cent of the net book value of the property;

(c) the amount of the liability outstanding under mortgage or other secured long term arrangement, excluding any part of the liability repayable within one year.

5.7.2 G IPRU-INV 5.7.1R can be illustrated as follows:

Current market value	£200,000
Net book value	£100,000
Mortgage	£70,000, including £5,000 payable within one year
Qualifying amount is the lowest of:	
(a) 85% x £200,000 =	£170,000
(b) 85% x £100,000 =	£85,000
(c) £70,000 - £5,000 =	£65,000
i.e. £65,000	

Qualifying undertakings

5.7.3 R A **qualifying undertaking** is an arrangement between a *firm* and an approved bank which:

(a) is in the form prescribed by the *FCA* for the purposes of this *rule*; and

(b) complies with the appropriate limitations set out in IPRU-INV 5.8.2R(7).